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UNITED STATES OF AMERICA

9 UNITED STATES DISTRICT COURT
10 FOR THE CENTRAL DISTRICT OF CALIFORNIA

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12
13 IN THE MATTER OF THE GRAND JURY
INVESTIGATION OF JNS

14 MISC NO. CR

15 APPLICATION FOR SUSPENSION OF THE
16 RUNNING OF THE STATUTE OF
17 LIMITATIONS

18 EX PARTE AND UNDER SEAL

19 LODGED UNDER SEAL UNDER AUTHORITY
20 OF FED. R. CRIM. P. 6(e)

21 I. INTRODUCTION

22 The United States of America, by and through its undersigned
23 counsel, applies to this court pursuant to Title 18, United States
24 Code, Section 3292, to suspend the running of the statute of
25 limitations for offenses arising out of the grand jury's
26 investigation of JNS.¹ In support of this application, the

27 ¹ Title 18, United States Code, Section 3292(a)(1) provides in
28 summary that upon application of the United States indicating that
evidence is in a foreign country, the district court shall suspend
the running of the statute of limitations for the related offense(s)

1 government respectfully represents the following.

2 II. CRIMES UNDER INVESTIGATION AND FOREIGN EVIDENCE

3 A grand jury impaneled in the Central District of California is
4 investigating JNS for possible violations of federal law including
5 conspiracy to defraud the United States in violation of 18 U.S.C.
6 Section 371; mail fraud, in violation of 18 U.S.C. Section 1341; wire
7 fraud, in violation of 18 U.S.C. Section 1343; money laundering, in
8 violation of 18 U.S.C. Section 1956; tax evasion, in violation of 26
9 U.S.C. Section 7201; willful failure to file a return, in violation
10 of 26 U.S.C. Section 7203; willfully making and subscribing a false
11 return, in violation of 26 U.S.C. Section 7206(1); corruptly
12 endeavoring to obstruct or impede the due administration of the
13 Internal Revenue Code, in violation of 26 U.S.C. Section 7212(a);
14 and willful failure to file a report, or willful filing of a false
15 report, of foreign bank account, in violation of 31 U.S.C. Sections
16 5314, 5322.

17 No indictment has been returned.

18 These possible violations of federal law arise out of JNS'
19 potentially criminal conduct summarized as follows. See Watson
20 Declaration.

21 1. JNS is a United States citizen with significant foreign
22 assets and holdings. Starting at least in the early 2000's, JNS has
23 conducted his foreign financial affairs through a complex web of
24 foreign trusts and foreign entities, including trusts domiciled in
25 Jersey, a British Crown Dependency, and entities domiciled in the
26

27 if the court finds that an official request has been made for the
28 evidence and it reasonably appears that the evidence is in such
foreign country.

1 British Virgin Islands. Through these trusts and entities, JNS has
2 maintained Swiss bank accounts through which JNS' income and assets
3 have been deposited and flowed through.

4 2. In order to conceal his foreign income and assets, JNS
5 conducted his financial activities through a Swiss management firm,
6 Strachans. Strachans, and its principals, helped JNS conceal his
7 income and assets from foreign and United States taxing authorities.
8 For example, when JNS required that his foreign funds be repatriated
9 to the United States, Strachans personnel helped facilitate this
10 repatriation through a web of other foreign entities and bank
11 accounts.

12 3. During the years under investigation, JNS did not report to
13 the Internal Revenue Service (IRS) all his foreign income and assets.
14 He also did not disclose his foreign and Swiss trusts and bank
15 accounts, as required by law. For example, JNS did not disclose his
16 control over his Swiss bank accounts at Cornèr Banca SA and UBS AG.
17 Further, he did not report to the IRS the income generated by those
18 accounts.

19 4. In 2015, JNS submitted a false statement to the IRS claiming
20 that he did not have control over funds held in Switzerland and that
21 those funds were under the exclusive control of Strachans. JNS
22 further falsely stated he did not believe the funds were reportable
23 to the IRS because they had not been distributed to him. In fact,
24 Strachans distributed JNS's undeclared funds to him in a variety of
25 ways starting at least in the early 2000s through at least mid-2007.

26 5. During the years under investigation, JNS and the principals
27 of Strachans, engaged in a scheme to conceal from the IRS JNS'
28

1 foreign and Swiss assets and bank accounts by, among other things,
2 operating through a series of foreign sham trusts and entities.

3 6. Evidence of JNS' and Strachans scheme, including Swiss bank
4 account records and records relating to the foreign trusts and
5 entities is believed to located in the country of Switzerland.

6 7. The United States, through the Department of Treasury, has
7 made an official request for this foreign evidence.

8 III. FOREIGN EVIDENCE REQUEST

9 On September 5, 2017, the United States made a formal request
10 for foreign evidence to the Swiss Federal Tax Administration. A copy
11 of the cover letter transmitting the request is attached as Exhibit

12 A. The request seeks foreign evidence relevant to the JNS
13 investigation from Swiss authorities pursuant to an agreement and
14 Convention between the United States and Swiss Confederation. See
15 Exhibit A. The request seeks, among other things, the following
16 evidence believed to be in Switzerland. See Watson Declaration.

17 1. Evidence related to JNS' foreign trusts domiciled in Jersey.

18 2. Evidence of Swiss bank accounts related to the JNS and
19 Strachan scheme to conceal JNS' foreign (and Swiss) financial
20 activity from the IRS.

21 3. Evidence related to Strachans (an organization operating in
22 Switzerland) and its activities in Switzerland.

23 The Swiss authorities have not taken final action on the United
24 States' request for foreign evidence in this case and the final
25 production of the requested information has not been delivered to
26 United States authorities.

27 The government accordingly seeks an order suspending the statute
28


1 of limitations, in accordance with the time limits set forth in 18
2 U.S.C. Section 3292(c), as to JNS, and others, for the above-
3 described offenses.

4 WHEREFORE, based on the above, and the accompanying declaration
5 of Special Agent Watson, the Court should grant the government's
6 application for a suspension of the statute of limitations in
7 accordance with the time limits set forth in 18 U.S.C. Sections 3292
8 (b) and (c).

9
10 Dated: 7/31/18

Respectfully submitted,

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12 THOMAS D. COKER
Assistant United States Attorney
13 Chief, Tax Division

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15 ROBERT F. CONTE
Assistant United States Attorney

16 Attorneys for Plaintiff
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COMMISSIONER
LARGE BUSINESS AND
INTERNATIONAL DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

September 5, 2017

Alexandre Dumas
Head of Service for Exchange of Information in Tax Matters
Swiss Federal Tax Administration
Eigerstrasse 65
CH 3003 Bern
SWITZERLAND

Subject: Exchange of Information
U.S. Taxpayer: Beneficial Owner(s) of Identified Account: Sinclair
Swiss Entity: Strachans SA & Cornèr Banca SA
Tax Year: 1996 - 2016
Our Reference: 372985

Dear Mr. Dumas:

The Internal Revenue Service (IRS) respectfully requests that the Swiss Federal Tax Administration (SFTA) provide it with information described in this request pursuant to Article 26 (Exchange of Information) of the Convention Between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income of October 2, 1996 (the "Convention"), and the Protocol entered into that same day and accompanying and forming an integral part of the Convention (the "Protocol").

We request your assistance in connection with the tax investigation of the captioned subject. The specific information required is outlined in the enclosure. The IRS seeks this information for the prevention of tax fraud or the like in relation to U.S. income taxes.

If you have any questions regarding this request, please contact Tina Masuda, Program Manager in our Washington, D.C. office, by phone at 202- 317-8611 or by fax at 877-525-3261.

This information is furnished and requested under the provisions of our income tax treaty. Its use and disclosure must be governed by the provisions contained therein.

Sincerely,

Tina B. Masuda

for Douglas W. O'Donnell
United States Competent Authority

EXHIBIT A